

## Message Text

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PAGE 01 BRASIL 01411 182136Z

ACTION EB-08

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O R 182050Z FEB 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 0203

INFO AMEMBASSY LONDON

AMEMBASSY BOGOTA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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DEPT PASS MCCONNELL FAS/USDA

E.O. 11652: N/A

TAGS: EAGR BR

SUBJECT: BRAZIL'S COFFEE STOCKS

REF: (A) BRASILIA 1250 (B) BB-7010 (C) SAO PAULO 1455

SUMMARY. ALL INFORMATION AVAILABLE TO EMBASSY TENDS TO SUPPORT MARCH 31, 1976 REVISED COFFEE ESTIMATES OF 29.9 MILLION BAGS.

THEIS 5 MILLION BAG UPWARD REVISION PARTIALLY EXPLAINS CONTINUING HIGH LEVELS BRAZIL'S EXPORTS AND HIGHER THAN EXPECTED DEC 31, 1976 STOCK LEVEL OF 21.1 MILLION BAGS ANNOUNCED BY IBC. LOW IBC ESTIMATE OF 6 MILLION BAGS FOR 1976/77 COFFEE HARVEST IS ANOTHER IMPORTANT FACTOR. AGATT CONTINUES TO ESTIMATE THAT CROP AT 9.5 MILLION BAGS. END SUMMARY.

1. SHARP DIFFERENCES BETWEEN REVISED ICO AND IBC STOCKS FIGURES OUTLINED BRASILIA 1250 AND STOCK FIGURES CONTAINED FAS REPORTS SINCE JULY 1975 RAISE MANY QUESTIONS. IN ATTEMPT TO ANSWER THERSE

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PAGE 02 BRASIL 01411 182136Z

QUESTIONS PRIOR TO CONGRESSIOANL COFFEE HEARING THE EMBASSY HAS UNDERTAKEN A COMPLETE REVIEW OF AVAILABLE INFORMATION RELATING TO BRAZIL'S COFFEE PRODUCTION, CONSUMPTION, EXPORTS AND STOCKS SINCE THE JULY 1975 FROST.

2. IT NOW APPEARS THAT THE ICO VERIFIED STOCK LEVELS OF 24.8 MILLION BAGS(60 KG) AS OF MARCH 31, 1976 WAS ABOUT 5.0 MILLION BAGS

BELOW ACTUAL STOCKS IN ALL POSITION ON THAT DATE. THE REVISED MARCH 31, 1976 STOCK FIGURES (WOMO MILLION BAGS) IS PLAUSIBLE SINCE STOCKS ON FARMS AND IN WAREHOUSES CONTAINING LESS THAN 10,000 BAGS WERE NOT INCLUDED IN 1976 ICO VERIFICATION. BECAUSE OF THE SEVERE JULY 1975 FROST WE BELIEVE THAT MANY PRODUCERS, FULLY AWARE THAT THEIR 1976 AND 1977 PRODUCTION WOULD BE SHARPLY REDUCED, STORED A LARGE SHARE OF THEIR 1975 CROP ON THEIR FARMS. WE BELIEVE THIS ACTION WAS TAKEN FOR SEVERAL REASONS. FIRST, DURING THIS HIGHLY INFLATIONARY PERIOD MANY PRODUCERS PROBABLY LOOKED UPON THEIR SACKS OF COFFEE AS THEIR BEST HEDGE AGAINST FUTURE INFLATION. SECOND, ALL INDICATORS POINTED TOWARD RISING WORLD PRICES FOR COFFEE AS A RESULT OF THE FROST. THIRD, PRODUCERS IN PARANA AND WESTERN SAO PAULO RECOGNIZED THAT THEY WOULD HAVE LITTLE OR NO PRODUCTION IN 1976, AND LIKELY HELD A LARGE PORTION OF THEIR 1975 CROP IN AN EFFORT TO ASSURE THEMSELVES OF ADEQUATE INCOME IN 1976 AND EARLY 1977.

3. THE EMBASSY IS AWARE OF ONLY ONE DETAILED SURVEY OF COFFEE STOCKS IN ALL POSITION (IN WAREHOUSE, ON FARMS ETC.) MADE DURING 1976. THIS UNOFFICIAL SURVEY WAS MADE BY THE CENTRO DO COMERCIO DO CAFE DO NORTE DO PARANA AND INCLUDED ALL COFFEE STOCKS AS OF JUNE 1, 1976. DETAILS OF THIS UNOFFICIAL SURVEY WERE REPORTED IN SAO PAULO 1466 DATED JUNE 22, 1976. ACCORDING TO THAT SURVEY TOTAL STOCKS AS OF JUNE 1, 1976 WERE 27.8 MILLION BAGS. THIS ESTIMATE AND 27.4 MILLION BAG ESTIMATE OF ALL STOCKS AS OF JUNE 1, 1976 MADE BY A SANOTOS COFFEE TRADER AND REPORTED IN THE SAME MESSAGE TENDS TO SUPPORT REVISED ICO ESTIMATE MAR 31 STOCKS. APRIL-MAY 1976 INTERNAL CONSUMPTION AND EXPORTS TOTALED ABOUT 3.0 MILLION BAGS.

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PAGE 03 BRASIL 01411 182136Z

4. AGATT COFFEE SUPPLY AND DISTRIBUTION ESTIMATES SINCE JULY, 1975 FROST START FROM BASE OF 21.0 MILLION BAGS BEGINNING STOCKS AS OF JULY 1, 1975. THIS STOCK ESTIMATE WAS GIVEN TO USDA FROST SURVEY TEAM AND EMBASSY OFFICERS BY IBC PRESIDENT CALAZANS DURING A MEETING IN BRASILIA ON AUG 18, 1975. IN VIEW OF RECENT SHARP REVISION OF BRAZIL'S COFFEE STOCKS MADE BY IBC, AGATT HAS PREPARED NEW SUPPLY AND DISTRIBUTION TABLES.

5. REVISED ESTIMATES OF BRAZIL'S COFFEE SUPPLY AND DISTRIBUTION FOR JULY-JUNE YEARS, 1975/76 AND 1976/77 ARE AS FOLLOWS (DATA IN MILLIONS OF BAGS):

	1975/76	1976	1977
	JULY-JUNE	JULY-DEC	JAN-JUNE
BEGINNING STOCKS	23.0	24.4	21.2
PRODUCTION	24.0	9.5	0
TOTAL SUPPLY	47.0	33.9	21.2
EXPORTS	14.1	8.7	7.0

CONSUMPTION	8.5	4.0	4.0
ENDING STOCKS	24.4	21.2	10.2
TOTAL DISTRIBUTION	47.0	33.9	21.2

6. THE ABOVE CALCULATION IS BASED UPON AGATT ESTIMATES OF PRODUCTION AND CONSUMPTION, AND THE LATEST IBC ESTIMATES OF TOTAL COFFEE STOCKS 21.2 MILLION BAGS ON DEC 31, 1976. THE PRESIDENTS OF IBC ANNOUNCED THIS FIGURE OF FEB 7, 1977 (REF B). EXPORT FORECAST FOR JANUARY-JUNE 1977 IS SUPPORTED BY PRESS REPORTS WHICH INDICATE THAT JAN EXPORTS WERE 1.7 MILLION BAGS AND THAT EXPORT REGISTRATIONS FOR FEBRUARY-APRIL ALREADY TOTAL MORE THAN 3.0 MILLION BAGS.

7. WE BELIEVE ABOVE CALCULATION IS AS ACCURATE AS IS POSSIBLE TO MAKE AT THIS TIME. EMBASSY CALCULATION FOR MAR 31, 1976 STOCK LEVEL (30.5) IS IN LINE WITH THE 29.9 MILLION BAG REVISED ESTIMATE WHICH THE IBC PRESENTED TO THE ICO ON JAN 26, 1977 (REF B).  
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PAGE 04 BRASIL 01411 182136Z

EMBASSY CALCULATION FOR MAY 31, 1976 STOCK LEVEL (WUME MILLION BAGS) IS IN LINE WITH TRADE ESTIMATES OF 27.8 AND 27.4 MILLION BAGS REPORTED IN REFTEL C.  
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## Message Attributes

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